



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
DANBURY INSURANCE COMPANY

Hingham, Massachusetts

As of December 31, 2013

NAIC GROUP CODE 0787

NAIC COMPANY CODE 37346

EMPLOYER ID NUMBER 06-0600334

DANBURY INSURANCE COMPANY

TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	2
Summary of Significant Findings	3
Subsequent Events	3
Company History	3
General	3
Corporate Records	3
Board of Directors Minutes	3
Articles of Organization and Bylaws	4
Conflict of Interest Procedures	4
Disaster Recovery and Business Continuity	4
Management and Control	4
Board of Directors	4
Committees of the Board of Directors	5
Officers	5
Affiliated Companies	5
Organization Chart	6
Transactions and Agreements with Subsidiaries and Affiliates	6
Fidelity Bonds and Other Insurance	7
Pensions, Stock Ownership and Insurance Plans	7
Territory and Plan of Operation	7
Treatment of Policyholders	7
Growth of Company	8
Loss Experience	8
Reinsurance	8
Intercompany Pooling Arrangements	8
Ceded Reinsurance	9
Assumed Reinsurance	9
Accounts and Records	9
Statutory Deposits	10
Financial Statements	11
Statement of Assets, Liabilities, Surplus and Other Funds	12
Statement of Assets, Liabilities, Surplus and Other Funds (continued)	13
Statement of Income	14
Statement of Capital and Surplus	15
Reconciliation of Capital and Surplus	16
Comments on Financial Statements Items	17
Acknowledgement	18



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • Toll free (877) 563-4467
<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

JAY ASH
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

JOHN C. CHAPMAN
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

DANIEL R. JUDSON
COMMISSIONER OF INSURANCE

April 28, 2015

Honorable Daniel R. Judson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

DANBURY INSURANCE COMPANY

at its home office located at 230 Beal Street, Hingham, Massachusetts, 02043. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Danbury Insurance Company ("Company") was last examined as of December 31, 2008, by the Massachusetts Division of Insurance ("Division"). The current examination also was conducted by the Division and it covers the period from January 1, 2009, through December 31, 2013, including any material transactions and/or events occurring subsequent to the examination date and noted in the course of this examination.

The current examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by PricewaterhouseCoopers LLP ("PwC"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2009 through 2013. A review and use of PwC's workpapers was made to the extent deemed appropriate and effective.

Effective September 10, 2010, the Company and its parent, Hingham Mutual Insurance Company ("Hingham") became affiliated with New London County Mutual Insurance Company ("NLC") and Thames Insurance Company ("Thames") insurers domiciled in Connecticut. An examination of NLC and Thames was conducted by the Connecticut Insurance Department ("Connecticut Department"). The Connecticut Department engaged the services of Merlino and Associates to review the reasonableness of the Company's loss and loss adjustment expense reserves as of December 31, 2013. We relied on the work performed by the Connecticut Department wherever possible.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings identified during the examination.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013, there were no material items that came to our attention for inclusion in the report of examination.

COMPANY HISTORY

General

The Company was originally formed under the laws of the State of Connecticut and began business as Danbury Mutual Insurance Company in 1850 to insure risks against loss of real property by fire and lightning. In 1961, an amendment to its Charter empowered the Company to write fire, marine, casualty, liability, indemnity, fidelity, and any and all forms of insurance except life and endowment insurance and annuity contracts. In February 1988, the Company's Charter was amended by the Connecticut General Assembly to allow the Company, when authorized by a two-thirds vote of its Board of Directors, to submit a plan of restructuring for the approval of Connecticut's Insurance Commissioner. Effective January 1, 1991, the Company underwent demutualization and was incorporated as a stock company with its current name under the laws of the State of Connecticut. At that time, it was licensed to write business only in the State of Connecticut. On August 11, 1994, Hingham purchased 80% of the stock of Danbury Holding Company ("DHC"), which was the sole parent company of Danbury Insurance Company; DHC later became a wholly owned subsidiary of Hingham when Hingham purchased all remaining outstanding shares of DHC on May 1, 1998. The Company redomesticated to the Commonwealth of Massachusetts on December 15, 2000.

Effective September 10, 2010, the Company and its parent, Hingham Mutual Fire Insurance Company, became affiliated with New London County Mutual and Thames Insurance Company, insurers domiciled in Connecticut. The affiliation agreement was approved by the Massachusetts Division of Insurance and the Connecticut Insurance Department.

CORPORATE RECORDS

Board of Directors Minutes

The minutes of meetings of the Board of Directors and its committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the committees were ratified at meetings of the Board of Directors. The previous Report of Examination was reviewed by the Board of Directors on July 15, 2010 as required by the Massachusetts statute. Affidavits were signed and submitted to the Division.

Danbury Insurance Company

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed. The Company filed Amended and Restated Bylaws with the Division during 2010 which were effective at the time of the affiliation agreement with New London County Mutual Insurance Company. Among other changes, the number of Directors was set at ten, of which six were designees of NLC.

Conflict of Interest Procedures

The Company has a policy statement pertaining to conflict of interest. In support of its answer to Question 18 of Part 1 Common Interrogatories of the annual statement, the Company has an established procedure for the reporting of any material interest or affiliation on the part of any officer or director or responsible employee which is in or is likely to conflict with his / her official duties. Annually, each officer or director or responsible employee completes a questionnaire disclosing any material conflicts of interest. The completed questionnaires for the examination period were reviewed and no discrepancies were noted to contradict the Company's response to the General Interrogatory regarding conflicts of interest reported in the Company's 2013 Annual Statement.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L.Chapter 175, Sections 180M through 180Q.

MANAGEMENT AND CONTROL

Board of Directors

According to the bylaws, the powers of the Company shall be exercised, its business and affairs shall be conducted and its property shall be controlled by the Board of Directors, except as otherwise provided by the laws of the Commonwealth of Massachusetts, the Articles of Organization or the bylaws. The number of Directors shall be no more than twelve (12) or less than seven (7).

At December 31, 2013, the Company's Board of Directors was composed of ten persons, which is in compliance with the Company's bylaws and the General Laws of Massachusetts. The members of the Board are as follows:

<u>Name of Director</u>	<u>Title</u>
Steve Henry Chevalier	President and Chief Executive Officer
George Kowalsky	Treasurer, Vice President, and Chief Financial Officer
Dennis Joseph Nelson	Vice President
Melissa Jane Browne	Independent Member

Danbury Insurance Company

Judy Sanstrom Jackson	Independent Member
Robert Trenchard Ramsdell	Independent Member
Bruce Taylor Cameron	Independent Member
Brian Anthony Williams	Independent Member
George Albert Cole III	Independent Member
Francis Pasquale Pandolfi	Independent Member

Committees of the Board of Directors

There are no other committees that have been established pursuant to the bylaws. However, the Company's Board of Directors has assumed the role of the Investment Committee. The Company does not have a formal Audit Committee. This function is addressed by the Audit Committee of its ultimate parent, New London County Mutual Insurance Company.

Officers

According to the Company's bylaws, the Board of Directors shall elect the officers of the Company. The officers of the Company shall be the Chief Executive Officer, the President, the Treasurer, and the Secretary and such officers shall be elected. The positions of operational vice presidents, assistant secretaries, and assistant treasurers may be created by the Chief Executive Officer in consultation with the Chairman of the Board. The officers shall hold office until the date of the next annual meeting and until their respective successors are elected and qualified.

The officers of the Company at December 31, 2013, are as follows:

<u>Name of Officer</u>	<u>Title</u>
Steve Henry Chevalier	President and Chief Executive Officer
George Kowalsky	Treasurer, Vice President, and Chief Financial Officer
Debra Lin Cusimano	Secretary
George William Francis Jr	Vice President
Dennis Joseph Nelson	Vice President
Cheryl Elizabeth Wigmore	Vice President
Janice Viscio Ingarra	Vice President
James William Parylak	Vice President

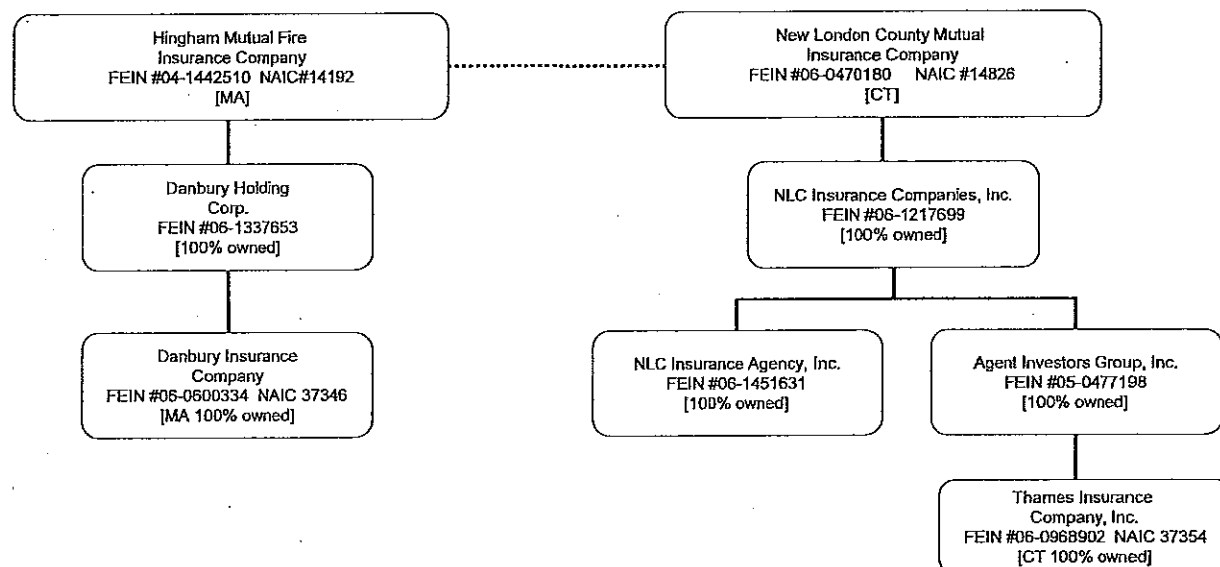
Affiliated Companies

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L., Chapter 175, Section 206C and Regulation 211 CMR 7.00. The ultimate controlling entity of the system is New London County Mutual Insurance Company by virtue of controlling six (6) out of ten (10) seats on the Board of Directors of the Company.

Danbury Insurance Company

Organization Chart

At December 31, 2013, the following Companies were part of the following organizational structure:



Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

The Company receives certain management, administrative, and data processing services from its affiliate, NLC, for which it pays a fee. Charges incurred by the Company to NLC are based upon actual expenses incurred by NLC.

Inter-Company Pooling Agreement

Effective with the affiliation agreement on September 10, 2010, the Company participates in an intercompany pooling agreement that combines underwriting results with affiliated entities. NLC is the lead company of the pool.

Tax Sharing Agreement

Effective January 1, 2001, the Company participates in a written tax allocation agreement with two of its affiliates, Hingham Mutual Fire Insurance Company and Danbury Holding Corporation. The allocation method is based upon the respective tax liability of each member computed as if a separate return were filed in accordance with the Internal Revenue Code. Tax-related intercompany balances are settled annually upon finalization of the consolidated return.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L. Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum.

The Company has further protected its interests and property by other policies of insurance covering other insurable risks. Coverages were provided by insurers licensed in the Commonwealth of Massachusetts and were in force as of December 31, 2013.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no retirement, deferred compensation, or other post-retirement benefit plans. Effective January 1, 2012, the Company's employees became employees of NLC and subject to their compensation arrangements.

TERRITORY AND PLAN OF OPERATION

The Company currently is licensed to write business in the following four states: Massachusetts, Connecticut, New Hampshire, and Rhode Island; however, it does not actively write business in Rhode Island. All Certificates of Authority were current and in force.

Through its appointed independent agents, the Company's lines of business include homeowners provided to personal risks and some multiple peril coverage provided to commercial risks. Its predominant concentration of business is homeowners coverage in Massachusetts.

Treatment of Policyholders

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2013 through December 31, 2013. The market conduct examination was called pursuant to authority in M.G.L. Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Rudmose and Noller Advisors, LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas that were reviewed under the market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area reviewed includes the identification and evaluation of the insurer's internal controls.

Danbury Insurance Company

GROWTH OF COMPANY

The growth of the Company for the years 2009 through 2013 is shown in the following schedule, which was prepared from the Company's annual statements.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Net Premiums Written</u>
2009	\$16,891,125	\$9,392,749	\$7,498,376	\$7,937,760
2010	15,920,097	8,540,465	7,379,632	4,150,583
2011	13,999,990	7,505,297	6,494,691	4,236,199
2012	14,479,791	7,808,269	6,671,522	4,072,079
2013	12,731,712	5,888,011	6,843,702	4,305,196

LOSS EXPERIENCE

The Company experienced an increase in incurred losses and loss adjustment expenses ("LAE") in 2011 due to several weather related events.

	2009	2010	2011	2012	2013
Premiums earned	\$8,200,927	\$5,166,704	\$4,444,386	\$4,114,379	\$4,230,111
Losses and LAE incurred	\$5,143,777	\$3,269,789	\$4,396,690	\$2,304,190	\$2,231,521
Loss ratio	62.7%	63.3%	98.9%	56.0%	52.8%

Losses and LAE incurred for the year ended December 31, 2013, decreased by \$72,669 or 3.1%, to \$2,231,521 from \$2,304,190 for the comparable 2012 period. Losses and LAE incurred as a percentage of premiums decreased from 62.7% in 2009 to 52.8% in 2013. See commentary on the reasonableness of the Loss and LAE reserves under Note 1 of the Comments on Financial Statement Items section of this Report of Examination.

REINSURANCE

Intercompany Pooling Arrangements

Effective September 10, 2010, the Company participates in an intercompany pooling agreement that combines underwriting results with affiliated entities. New London County Mutual Insurance Company is the lead company of the pool. The participation percentages are as follows:

New London County Mutual Insurance Company	50%
Hingham Mutual Fire Insurance Company	29%
Thames Insurance Company	15%
Danbury Insurance Company	6%

Danbury Insurance Company

Ceded Reinsurance

The Company's affiliate, New London County Mutual, purchases pro-rata excess of loss and catastrophe reinsurance on behalf of the pool.

Assumed Reinsurance

The Company assumes a small amount of reinsurance from unaffiliated reinsurers. For the year ended December 31, 2013, the total amount of premium assumed from non-affiliates was \$7,877.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Company's independent certified public accounting firm. Testing of the following key activities was performed: investments; premiums and underwriting; reserves and claims; reinsurance ceded; and other assets and liabilities and equity. No material deficiencies were noted. The Company's claims inventory was tested on a sample basis for completeness and accuracy. No material errors or exceptions were detected.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and reviewed by the Division to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network ("LAN"), Wide Area Network ("WAN") and Internet Controls. No material deficiencies were noted.

The Company maintains its accounts and records on an electronic data processing basis. All entries are input to this data processing system, which then generates general ledger and supporting reports, as well as other reports common to the insurance industry. No material exceptions were noted.

The books and records of the Company are audited annually by PwC, independent certified public accountants, in accordance with 211 CMR 23.00 and 211 CMR 26.00.

Danbury Insurance Company

STATUTORY DEPOSITS

The Company's statutory deposits as of December 31, 2013, are as follows:

<u>Jurisdiction</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Massachusetts	U.S Treasury Note	\$500,000	\$494,862	\$489,455
Rhode Island	U.S. Treasury Note	500,000	499,299	537,425
		<u>\$1,000,000</u>	<u>\$994,091</u>	<u>\$1,026,880</u>

Danbury Insurance Company

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2013. The financial statements are the responsibility of Company management. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2013

Statement of Income for the Year Ended December 31, 2013

Statement of Capital and Surplus for the Year Ended December 31, 2013

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended
December 31, 2013

Danbury Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Assets			
Bonds	\$9,579,132	\$ 0	\$9,579,132
Common stocks	959,594		959,594
Cash & Short Term Investments	372,192		372,192
Subtotals, cash and invested assets	10,910,919	0	10,910,919
Investment income due and accrued	107,641		107,641
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	486,943		486,943
Deferred premium, agents' balances booked but deferred and not yet due	110,545		110,545
Amounts recoverable from reinsurers	538,472		538,472
Net deferred tax asset	383,452		383,452
Aggregate write-ins for other than invested assets	193,739		193,739
Total Assets	<u>\$12,731,712</u>	<u>\$ 0</u>	<u>\$12,731,712</u>

Danbury Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds (continued)
As of December 31, 2013

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Losses	\$1,304,686	\$ 0	\$1,304,686	(1)
Reinsurance payable on paid losses and loss adjustment expenses	298,936		298,936	(1)
Loss adjustment expenses	345,639		345,639	
Commissions payable, contingent commissions and other similar charges	201,558		201,558	
Other expenses	141,452		141,452	
Taxes, licenses and fees	(805)		(805)	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$722,508)	2,800,081		2,800,081	
Advance premium	14,876		14,876	
Ceded reinsurance premiums payable	159,850		159,850	
Remittances and items not allocated	83,014		83,014	
Payable to parent, subsidiaries and affiliates	488,928		488,928	
Aggregate write-ins for liabilities	49,796		49,796	
Total Liabilities	5,888,011	0	5,888,011	
Common capital stock	1,150,000		1,150,000	
Gross paid in and contributed surplus	8,517,500		8,517,500	
Unassigned funds (surplus)	(2,823,798)		(2,823,798)	
Surplus as regards policyholders	6,843,702		6,843,702	
Total Liabilities, Surplus and Other Funds	\$12,731,712	\$ 0	\$12,731,712	

Danbury Insurance Company
Statement of Income
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$ 4,230,111	\$ 0	\$ 4,230,111
Deductions:			
Losses incurred	1,870,921		1,870,921
Loss adjustment expenses incurred	360,600		360,600
Other underwriting expenses incurred	2,121,570		2,121,570
Total underwriting deductions	4,353,091	0	4,353,091
Net underwriting gain (loss)	(122,979)	0	(122,979)
Net investment income earned	223,813	0	223,813
Net investment gain (loss) less capital gains tax of (135)	(263)	0	(263)
Net investment gain (loss)	223,551	0	223,551
Net gain (loss) from agents' or premium balances charged off	(4,540)	0	(4,540)
Finance and service charges not included in premiums	15,888	0	15,888
Aggregate write-ins for miscellaneous income	(96,620)	0	(96,620)
Total other income	(85,272)	0	(85,272)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	15,299	0	15,299
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	15,299	0	15,299
Federal and foreign income taxes incurred	(2,671)	0	(2,671)
Net income (loss)	\$ 17,970	\$ 0	\$ 17,970

Danbury Insurance Company
Statement of Capital and Surplus
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus as regards policyholders, December 31 prior year	\$6,671,522	\$ 0	\$6,671,522
Net income (loss)	17,970		17,970
Change in net unrealized capital gains or (losses) less capital gains tax of \$22,773	44,207		44,207
Change in net deferred income tax	(52,191)		(52,191)
Change in nonadmitted assets	161,274		161,274
Aggregate write-ins for gains and losses in surplus	919		919
Change in surplus as regards policyholders for the year	172,180	0	172,180
Surplus as regards policyholders, December 31 current year	\$6,843,702	\$ 0	\$6,843,702

Danbury Insurance Company
Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2013

	2013	2012	2011	2010	2009
Capital and surplus, December 31 prior year	\$6,671,522	\$6,494,691	\$7,379,632	\$7,498,376	\$7,628,203
Net income (loss)	17,970	271,141	(1,030,062)	(34,699)	(57,726)
Change in net unrealized capital gains or (losses)	44,207	62,713	(57,942)	(244,867)	(71,866)
Change in net deferred income tax	(52,191)	(137,949)	68,294	425,532	0
Change in nonadmitted assets	161,274	(44,354)	134,794	(272,490)	(235)
Aggregate write-ins for gains and losses in surplus	919	25,280	(25)	7,780	0
Change in capital and surplus for the year	172,180	176,831	(884,942)	(118,744)	(129,827)
Capital and surplus, December 31 current year	<u>\$6,843,702</u>	<u>\$6,671,522</u>	<u>\$6,494,691</u>	<u>\$7,379,632</u>	<u>\$7,498,376</u>

Danbury Insurance Company

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1 – Summary of Loss and Loss Adjustment Expense Reserves (“Loss and LAE Reserves”)

NLC acts as the lead company in an intercompany pooling arrangement with its affiliates. The relevant pooling percentages are as follows:

New London County Mutual Insurance Company	50%
Hingham Mutual Fire Insurance Company	29%
Thames Insurance Company	15%
Danbury Insurance Company	6%

Merlinos and Associates (“Merlinos”) was engaged by the Connecticut Insurance Department to perform an actuarial analysis of the Loss and LAE reserves of the insurance companies in the pool. The analysis evaluated the processes, procedures, methods, and assumptions used to determine the reasonableness of the carried Loss and LAE reserves of the pool as of December 31, 2013. The Merlinos actuary concurred with the Company actuary’s conclusion regarding the reasonableness of the carried reserve.

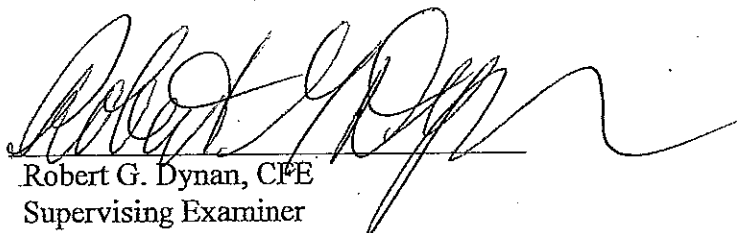
After reviewing the work performed on the NLC pool, the Division determined that there was sufficient work done and that it could rely upon the work of Connecticut and the actuarial work performed on the entire pool in which the Company participates as indicated above. The conclusion reached is that the carried reserves of the Company as of December 31, 2013 are reasonable and no adjustment to these liabilities has been made in the financial statement within the Report of Examination.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by the following Division examiner who participated in this examination hereby is acknowledged.

Steven Tsimtsos, CFE, Financial Examiner II



Robert G. Dynan, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance